

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 NRC-05  
/134 W

-----096469 151012Z /10

R 131121Z AUG 78  
FM AMEMBASSY TEHRAN  
TO SECSTATE WASHDC 9817  
INFO USDOE WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 7653

EO 11652: GDS  
TAGS: MNUC, ENRG, IR  
SUBJ: STATUS OF GOVERNMENT OF IRAN NUCLEAR POWER PLANT  
PROGRAM

1. SUMMARY: EMBASSY NOTES INCREASED DISCUSSIONS BETWEEN  
MINISTRY OF ENERGY AND U.S. NUCLEAR SUPPLIER COMPANIES IN  
RECENT WEEKS, DUE LARGELY TO EXPECTED IMPLEMENTATION OF U.S.-  
GOI AGREEMENT FOR NUCLEAR COOPERATION. ALTHOUGH NUCLEAR  
POWER PLANTS FIVE THRU EIGHT ARE COMMITTED TO KRAFTWERK  
UNION (KWU) UNDER LETTER OF INTENT, SCHEDULE FOR OPERATION  
OF TWO OF THESE UNITS IS LIKELY TO CHANGE. AS A RESULT,  
NEGOTIATIONS FOR SUCCESSOR PLANTS MAY TAKE PLACE SOONER  
THAN ANTICIPATED. U.S. SUPPLIERS ARE ACTIVE BIDDERS.  
ALTHOUGH STEPPED-UP COMMERCIALY ORIENTED DISCUSSION ARE  
TAKING PLACE WITH MINISTRY OF ENERGY, THERE IS INCREASINGLY  
VOCLA OPPOSITION TO THE GOI'S ORIGINAL OBJECTIVE OF 23,000  
MWE INSTALLED NUCLEAR CAPACITY BY MID-1990'S. WE  
BELIEVE A REASSESSMENT OF NUCLEAR PROGRAM WILL TAKE  
PLACE AND THAT SALE BY 1980 OF ADDITIONAL ONE  
OR TWO UNITS BY U.S. REACTOR SUPPLIERS, IS REALISTIC  
U.S. COMMERCIAL GOAL. REACTOR SALES AND SCHEDULE  
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THEREAFTER ARE HIGHLY SPECULATIVE. END SUMMARY.

2. DISCUSSION BETWEEN U.S. COMPANIES AND THE MINISTRY  
OF ENERGY HAVE ACCELERATED IN RECENT WEEKS AS THE  
EXPECTATION OF A BILATERAL ACCORD BEWTEEN GOI AND  
U.S. GOVERNEMENT CONTINUES TO GROW.

3. INDUSTRY SOURCES SPECULATE THAT NUCLEAR UNITS NINE THROUGH TWELVE OR PORTIONS THEREOF WILL BE PURCHASED IN THE NEAR FUTURE, DESPITE GROWING RESISTANCE TO THE NUCLEAR PROGRAM OBJECTIVE OF 23,000 MWE INSTALLED NUCLEAR CAPACITY BY MID-1990'S. REASSESSMENT OF THE GOI NUCLEAR PROGRAM UNDOUBTEDLY UNDERWAY, ALBEIT UNOFFICIALLLY. THE BEST GUESS IS THAT SUCH REASSESSMENT IS SPONSORED BY PRIME MINISTER'S OFFICE, BUT THAT HIS EXCELLENCY TAVAKOLI, NUCLEAR DEPTUY SOTOODEHNIA, AND ETEMAD'S ATOMIC ENERGY ORGANIZATION ARE NOT INVOLVED IN REASSESSMENT.

4. CONSTRUCTION OF THE KWU BUSHEHR UNITS AND THE FRAMATOME UNITS AT KARUN PROGRESSING, WITH SOME SLIPPAGE EXPECTED, PARTICULARLY AT BUSHEHR, WHERE HEAVY COMPONENTS, INCLUDING REACTOR PRESSURE VESSEL, HAVE NOT YET ARRIVED AT SITE.

5. DR. SOTOODEHNIA TOLD SCIATT THAT LETTER OF INTENT EXISTS FOR UNITS FIVE THROUGH EIGHT WHICH IS A VIRTUAL "CONTRACT#:79 PAGES); HOWEVER, TWO OF FOUR UNITS (SPECIFICALLY NUMBERS SEVEN AND EIGHT) WHICH ARE TO BE BUILT NEAR ISFAHAN HAVE EXPERIENCED SITING DIFFICULTIES FOR SEISMIC REASONS. THE ISFAHAN SITE WAS THOUGHT ACCEPTABLE; HOWEVER, INFORMATION FROM BOTH GENERAL ELECTRIC AND DR. ETEMAD INDICATES THAT CONFIDENTIAL

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FURTHER STUDY OF SITE UNDERWAY. UNRESOLVED SITE QUESTION FOR ISFAHAN UNITS RAISES EXPECTATION THAT, WHILE UNITS FIVE THROUGH EIGHT ARE TO BE KWU SOURCE OF SUPPLY, UNITS SEVEN AND EIGHT MAY SLIP THEIR SCHEDULE FOR 1987-88 OPERATION AND BE REPLACED BY UNITS NINE AND TEN AT ANOTHER SITE, WITH PROSPECTIVE SUPPLY FROM UNITED STATES.

6. DURING JULY, WESTINGHOUSE, GENERAL ELECTRIC, COMBUSTION ENGINEERING, AND BABCOCK & WILCOX CONTACTED EMBASSY WITH EXPRESSIONS OF HEIGHTENED INTEREST IN BIDDING OPPORTUNITIES. ALL HAVE RECEIVED SOME ENCOURAGEMENT FROM THE MINISTRY OF ENERGY, INCLUDING GENERAL ELECTRIC. (COMMENT: IT IS DIFFICULT FOR EMBASSY AND SUPPLIERS TO MEASURE PREFERENCE FOR PRESSURIZED WATER

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ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
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SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 NRC-05  
/134 W

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R 131121Z AUG 78

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 9818

INFO USDOE WASHDC

C O N F I D E N T I A L SECTION 2 OF 2 TEHRAN 7653

REACTOR AS CONTRASTED TO FIRST BOILING WATER REACTOR  
TO BE BUILT IN IRAN.) BROWN BOVERI REAKTORBAU,  
DAUGHTER COMPANY OF BBC, IS ALSO IN CONTEST, WITH  
INTEREST IN OFFERING U.S.-GERMAN -SWISS SCOPE OF  
SUPPLY. FINALLY, KWU AND FRAMATORE REAMIN AS  
ESTABLISHED CONTENDERS FOR ADDITIONAL REACTOR SALES.

7. UNDER DIRECTION OF AHMAD SOTOODEHNIA, WHO  
RECENTLY MOVED FROM AEOI TO MINISTRY OF ENERGY  
AND IN CHARGE OF ALL NUCLEAR POWER PLANT ACTIVITIES,  
PACE OF SITE SURVEYS BEING ACCELERATED; SOTOODEHNIA  
LOOKING FOR BROADENED U.S. ARCHITECT/ENGINEER  
INVOLVMENT. CURRENT POTENTIAL REACTOR SITES ARE  
DRY, REQUIRING COOLING TOWER UTILIZATION TO GREATER  
EXTENT THAN THAT FOUND IN ANY OTHER COUNTRY UNDER-  
TAKING A MAJOR NUCLEAR POWER PROGRAM.

8. FROM DISCUSSION WITH DR. SOTOODEHNIA, SCIATT  
LEARNED THAT MOE MAY CONSIDER SEPARATE CONTRACTS FOR  
THE NEXT-NEGOTIATED UNITS: ONE WITH THE REACTOR  
SUPPLIER AND ANOTHER WITH ARCHITECT/ENGINEER  
CONSTRUCTOR. NEVERTHELESS, DR. SOTOODEHNIA  
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EXPECTS TO DEAL WITH ONE RESPONSIBLE ENTITY, MOST  
PROBABLY THE REACTOR SUPPLIER, WHOM HE INTENDS TO  
HOLD RESPONSIBLE FOR SMOOTHLY COORDINATING THE  
TWO CONTRACTS. MOE'S GOAL IS TO TRANSFER KNOW HOW  
THROUGHOUT DESIGN, CONSTRUCTION, AND OPERATION STAGES  
TO LOCAL PERSONNEL. THE TURNKEY CONCEPT IS THE MOST

COMFORTABLE OF ALTERNATIVE CONTRACTUAL APPROACHES; HOWEVER, DR. SOTOODEHNIA DOES NOT WANT THIS TO LIMIT FLOW OF TECHNOLOGY FROM SUPPLIER COMPANIES TO IRAN, AS HAS HAPPENED (IN HIS VIEW) TO DATE.

9. NEGOTIATION FOR NUCLEAR UNITS IN GROUP NINE TO TWELVE HAS PROCEEDED IN RECENT MONTHS WITH KWU AND FRAMATOME, WITH DISCUSSIONS CENTERED AROUND FINANCING AND OIL BARTER ARRANGEMENTS. RELIABLE SOURCES INDICATE THE GOI IS NOT SATISFIED WITH FINANCIAL ARRANGEMENTS PROPOSED BY KWU AND CONSEQUENTLY GOI HAS OFFERED SOME ENCOURAGEMENT TO FRENCH. IMPLEMENTATION OF U.S.-GOI BILATERAL AGREEMENT IN COMING MONTHS SHOULD OPEN DOOR TO COMMERCIALLY COMPETITIVE OFFERS FOR THESE UNITS BY U.S. COMPANIES. IN EMBASSY VIEW, OIL BARTER APPROACH SOUGHT BY MINISTRY OF ENERGY IS ONE TO WHICH U.S. COMPANIES MUST BE RESPONSIVE. COMPETITION FOR THESE UNITS, NOTING GROWING "GO-SLOW" ATTITUDE FROM GOI INTERNAL OPPOSITION TO NUCLEAR PROGRAM, WILL MEAN THAT DIFFICULT NEGOTIATIONS LIE AHEAD FOR ALL INVOLVED. TACTICALLY, ADVANTAGE EXISTS FOR GOI TO INTRODUCE U.S. SOURCES OF SUPPLY AT THIS TIME, BOTH FROM STAND-POINT OF IMPROVED COMPETITIVE OFFERINGS, AND INFERRED SUPPORT BY UNITED STATES IN LONG-RANGE DEVELOPMENT OF IRAN'S NUCLEAR POWER PROGRAM.

10. REFERENCE TO ANTICIPATED U.S. SUPPLY OF EIGHT  
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REACTORS IS NO LONGER REALISTIC. THIS FACT WELL ACCEPTED BY INVOLVED U.S. COMPANIES AND BY INDIVIDUALS WITHIN GOI. ONE OR TWO NUCLEAR UNITS SOLD IN IRAN BY US SUPPLIERS WILL REPRESENT HEALTHY PURCHASES BEYOND 1980 ARE SUBJECT TO CONSIDERABLE SPECULATION. ALTHOUGH GOI OBJECTIVE OF 23,000 MWE INSTALLED NUCLEAR CAPACITY BY MID-1990'S REMAINS OFFICIAL POLICY, EMBASSY IS DOUBTFUL OF ADHERENCE TO THIS SCHEDULE.  
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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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